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SUBJECT: PAKISTAN'S FIA ON COUNTERING TERRORIST FINANCE

Classified By: CDA Gerry Feierstein for reasons 1.4 (b, d)

¶1. (SBU) Summary: In a July 22 meeting with the Treasury Advisor to the Special Representative for Afghanistan and Pakistan, Federal Investigative Agency (FIA) Director General Tariq Khosa said counter-terrorist financing efforts had limited external sources of funds available to Al-Qaida and Tareek-e-Taliban Pakistan. Khosa noted a major gap in FIA's ability to counter terrorist financing is domestic and international charities' lack of transparency, which he hoped to fill with the creation of a UK Charities Commission-like body in Pakistan. He asked for U.S. assistance in establishing and developing the capacity of an interagency terror finance taskforce in Pakistan. Khosa also proposed the creation of a trilateral group from Pakistan, Afghanistan and the United States to address terrorist financing and narcotics issues. If properly executed, Khosa's initiative could well fill gaps in Pakistan's counter terror financing regime and merit U.S. support. End Summary.

FIA ASSESSMENT OF THE TERRORIST FINANCING THREAT

¶2. (C) Khosa noted that counter-terrorist financing efforts had succeeded in limiting the availability of external sources of funds for Al-Qaida and Tareek-e-Taliban Pakistan, which therefore have been relying more heavily on criminal endeavors such as extortion, kidnapping and robberies to acquire funds. FIA Special Investigative Group Director Khaled Qureshi commented that dependence on such criminal activities is not sustainable, however, and the groups would eventually shift back to external funding and narcotics as sources of income.

¶3. (C) In contrast to this, Lashkar e-Tayyiba (LeT) and Jaish-e-Muhammad (JEM) are dependent on domestic donations, particularly from Punjab, Qureshi added. These donations come either as small, cash donations or through the collection and sale of animal hides after Muslim feast days. In recent months, Khosa believes there has been a "sea-change" for the better in where small scale donations are given at the provincial level: due to an awareness-raising media campaign, he believes Muslim holiday giving is trending toward legitimate charitable organizations.

¶4. (C) Khosa pointed out that the Balochistan Liberation Army and other similar groups in the province are receiving money from outside sources, and suggested the USG raise the issue with India and Afghanistan.

¶5. (SBU) Khosa specified that the major gap in FIA's ability to combat terrorist financing is the lack of transparency regarding international and domestic charities and NGOs. He said the GOP is working with the UK to develop a UK Charities Commission-like organization in Pakistan to register and monitor charities operating in Pakistan. Qureshi said that the GOP needed to have available punitive actions for charities that failed to register their activities. FIA Director for Economic Crime Wajid Zia noted the difficulties of developing effective charity regulation due to the fact that the provincial authorities were responsible for registration and enforcement while international funding falls under federal jurisdiction. (Note: The Ministry of Social Welfare and Ministry of Religious Affairs also have national responsibilities for registering charities and religious organizations. End note.)

¶6. (SBU) Khosa said a good portion of charitable funding, both licit and illicit, goes to support madrassas. Though the vast majority of madrassas are not an issue, Khaled highlighted the central role of a minority of madrassas to the spread of extremist ideology and the recruitment of militants. The GOP has registered 25 thousand of the roughly 40 thousand madrassas in Pakistan. However, Khosa downplayed the GOP's ability to control the madrassas through

ISLAMABAD 00001846 002 OF 002

registration and monitoring. Khosa explained that as long as poor Pakistanis had no public education option, limited socio-economic opportunity, and no other means to express their political frustrations, they would turn to madrassas and extremism. He suggested that the provision of public elementary education and spread of economic opportunity is the only long-term solution.

FIA COUNTER EFFORTS

¶7. (SBU) Treasury Advisor raised the issue of the low number of terrorist finance cases that are brought to prosecution. Khosa responded that only 25 percent of cases make it to the criminal stage of an investigation, while the majority are referred elsewhere, such as to banking regulators. Of that 25 percent, the prosecutors historically have not focused on the terror finance aspect of the crime, as it is more difficult to investigate and prosecute than the terrorist or criminal act itself. Khosa said, however, that the FIA is focusing on the terrorist financing portion in its investigation and prosecution of the Mumbai attacks.

¶8. (SBU) Khosa noted the FIA only investigates large-scale and/or international cases; the majority fall under the jurisdiction of provincial authorities. He said the FIA is creating a manual for provincial investigators and prosecutors based on material provided in a recent FBI-sponsored financial investigative techniques course.

FIA REQUESTS

¶9. (SBU) Khosa asked the U.S. for assistance both in the domestic and the international areas. Khosa proposed the United States push for the creation of a national task force on terror finance that includes representatives from FIA, the Financial Monitoring Unit (FMU), the National Accountability Bureau (NAB) and the Anti-Narcotics Unit, as well as provincial law enforcement. He suggested the United States help Pakistan develop a three-year capacity-building action plan for the development and training of this task force. In addition to coordinating traditional law enforcement activities, this task force could be utilized to pinpoint

where USG development funds for education and economic assistance could be best used to counter local support for terrorist activities. For example, the task force could identify areas where public elementary schools could be placed to supplant militant madrassas.

¶10. (SBU) Khosa also recommended the institution of a strategic trilateral Afghanistan-Pakistan-U.S. group on counter-terrorist financing and counter-narcotics similar to the trilateral already established in under SRAP leadership in May in Washington. He envisions the trilateral group meeting annually or bi-annually and consisting of representatives from Pakistan's Interior Ministry, Afghanistan's Ministry of Home Affairs, as well as the USG.

¶11. (SBU) Comment: Khosa is a serious individual with a good understanding of the challenges facing Pakistan's counter-terror financing regime. Post's Treasury Attache and EconOff will follow up with other GOP agencies to see if there is widespread buy-in to Khosa's proposals. We believe that with proper planning and commitment on the GOP part, Khosa's proposals could well deserve USG support.

¶12. (SBU) This cable was cleared by S/SRAP Treasury Advisor.
FEIERSTEIN